

Internal Revenue Service

Department of the Treasury

District
Director

Date: MAY 3 1984

Person to Contact:

Contact Telephone Number:

Refer Reply to:
EP/EO:

CERTIFIED MAIL.

Dear Applicant:

We have considered your application for recognition of exemption under the provisions of section 501(a) as an organization described in section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were organized on [REDACTED] as an unincorporated association. Your purposes as stated in the document submitted as your Constitution and Bylaws are "(1) to provide education about the uses of [REDACTED] and associated topics among the users of [REDACTED]; (2) to provide a formal communications mechanism between the users of [REDACTED] and [REDACTED], developers of [REDACTED], to inform [REDACTED] about user needs and to allow [REDACTED] to respond to these needs." Your primary activity is to provide education about the uses of the software among the users of [REDACTED] and to provide a communications mechanism between the users and [REDACTED]. the developers of [REDACTED]. You also issue a newsletter to your members.

Your organization holds an annual conference at which speakers from the user community and from [REDACTED] present papers describing uses of [REDACTED], technical issues associated with the use of [REDACTED] and ideas for new development. Your first conference was held from [REDACTED] to [REDACTED] in [REDACTED] and was attended by [REDACTED] representatives from [REDACTED] corporations.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a "business league" is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual purposes.

In a Court Case, The National Muffler Dealers Association, Inc. v. U.S. 440 U.S. 472(1979) the position of the Internal Revenue Service was upheld and the Court denied exemption to The National Muffler Dealers, Association, Inc. because it confined its membership to dealers franchised by a particular company and its activities to the businesses of that company.

Revenue Ruling 83-164, IRB 1983-44 describes an organization whose members represent diversified businesses that own, rent, or lease computers produced by a single computer manufacturer. The organization described above was determined not to be exempt from Federal income tax as a business league under section 501(c)(6) of the Code. By directing its activities only to the users of a single brand of computer, the organization was determined to be directing its activities towards the improvement of business conditions in only segments of the various lines of business to which its members belong. Because it limited its activities to the users of a single brand of computer, the organization's activities were not directed towards the improvement of business conditions in one or more lines of business within the meaning of section 1.501(c)(6)-1 of the regulations.

On the basis of the evidence presented, we hold that your organization does not qualify for exemption under Section 501(c)(6) of the Internal Revenue Code because your activities are not directed to the improvement of one or more lines of business because it is confined to users of [REDACTED], a computer software package, developed by [REDACTED].

Accordingly, it is held that you do not qualify for recognition of exemption from Federal income tax under Section 501(c)(6) as a business league. Therefore, you are required to file Federal income tax returns on Form 1120.

(3)

If you agree with our findings please sign, date and return one copy of the enclosed Form 6018 to this office.

If you do not agree with the determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

Very truly yours,

791 [REDACTED]

District Director

Enclosure: Publication 892

Form **6018**
(August 1979)

Department of the Treasury-Internal Revenue Service
Consent to Proposed Adverse Action
(All references are to the Internal Revenue Code)

Prepare In
Duplicate

Case Number

Date of Latest Determination Letter

Employer Identification Number

Date of Proposed Adverse Action Letter

Name of Organization or Plan and Address

I consent to the proposed adverse action relative to the above organization or plan, as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc.; or Section 7476, Declaratory Judgments Relating to Qualification of Certain Retirement Plans, applies, I have the right to protest the proposed adverse action.

NATURE OF ADVERSE ACTION

- ☒ Denial of exemption
- ☐ Revocation of exemption, effective
- ☐ Modification of exempt status, effective
- ☐ Classification as a private foundation (section 509(a)), effective
- ☐ Classification as a non-operating foundation (section 4942(j)(3)), effective
- ☐ Non-qualification under section 401(a)
- ☐ Classification as an organization described in section 509(a)(), effective
- ☐ Classification as an organization described in section 170(b)(1)(A)(), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428 or 7476.

(Signature instructions are on the back of this form.)

Name of Organization or Plan

Signature and Title

Date

Signature and Title

Date